



*European Communities
Commission
Background Report*

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COMMISSION PROPOSES NEW SHEEPMEAT REGIME

The European Commission has recently submitted new proposals for establishing a common market organisation for mutton and lamb*. The proposals would not impose new import restrictions on New Zealand lamb, nor would they involve pushing up market prices for lamb through intervention. No such official stockpiling is proposed.

The main measures put forward are:

- free trade in mutton and lamb between member states, without M.C.A.** to nullify currency movements
- setting an annual basic price, initially worked out on average price levels in each member state in the previous marketing year
- granting of a production premium to producers in certain regions
- private storage aid to producers when the market price drops below 90 per cent of the basic price
- introduction of variable levies on imports of sheepmeat into the Community
- no official support buying.

This package of measures is designed to bring trade in mutton and lamb and live animals into line with other agricultural commodities covered by the CAP. It would replace the existing deficiency payments system in the UK. The Commission believes that the private storage aid plus a direct premium 'where appropriate' would provide a sufficient guarantee to British producers.

Production premium

A production premium could be paid to maintain producers' incomes in some areas. This premium could vary by region. It would be needed particularly because current price levels and production costs in France are considerably higher than

*COM(78)81 final

** Monetary Compensatory Amounts

those in the UK and Ireland, and liberalisation of trade without some protection to producers could lead to considerable hardship.

The Commission would review the workings of this premium before December 31, 1981, and make proposals for cancelling or modifying it to which the Council must respond by March 31, 1982. The premiums would be paid from the Community budget.

The proposed measures would not affect the direct hill sheep subsidies already paid in less favoured farming areas under directive 75/268, but if an increase in these subsidies were justified in the new circumstances, then the Commission would propose higher rates of payment for hill sheep.

Imports

The variable levy on imports would be fixed monthly. It would represent the difference between the Community basic price and the world offer price. Imports of chilled and frozen lamb are at present subject to a 20 per cent ad valorem customs duty which is bound in GATT. This would be replaced by a variable levy, but this levy would never amount to more than would have been charged if the customs duty were still applied. The variable levy system would replace the existing customs duty only when the offer price of the imports exceeded 60 per cent of the Community basic price. The levy would diminish as world market prices rose, so reducing the charge on imports.

If the market becomes excessively disturbed, as a result of imports or exports, certain 'safeguard' measures are provided for, as in all other commodities. However, the Commission has made it clear that these measures would never be used unless all other ways of stabilising the market had been tried and had failed.

The need for a common policy on trade in sheep and sheepmeat has been underlined recently. Since January 1, 1978, member states have been obliged, as a result of a Court of Justice ruling, to allow free trade in sheepmeat, but the French government has concluded a bilateral agreement with Ireland, in which Irish lamb is allowed free access to the French market as from January 1, 1978, whilst UK lamb continues to attract a levy. The Commission has instituted proceedings against the French government.
